

Message Text

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C O N F I D E N T I A L KINSHASA 1415

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TAGS: ECON, EFIN, CG

SUBJECT: ZAIRE'S FINANCIAL SITUATION

REF: (A) KINSHASA 1291; (B) STATE 035060; (C) KINSHASA 1414

1. OUR INITIAL PROJECTION OF GOZ'S MONTLY FOREIGN EXCHANGE RECEIPTS FOR 1975 REPORTED REF (A) AND PREVIOUS SHOULD HAVE READ Z55 MILLION NOT RPT NOT Z35 MILLION REF (C) GIVES OUR LATEST, REFINED ESTIMATE OF MONTHLY FX RECEIPTS (Z51.57 MILLION) AND EXPENDITURES (Z57.95 MILLION) AND PROJECTS 1975 DEFICIT OF Z76.6 MILLION. OUR INFORMATION RE REACTIONS FOREIGN BANKS AND DUROPEAN CREDIT GUARANTEE INSTITUTIONS IS SAME AS REPORTED REF (B).

2. AS REPORTED REF (C), WE THINK GOZ WILL TRY TO FIND ITS OWN SOLUTION TO CURRENT FINANCIAL PROBLEM BEFORE TURNING TO IMF OR OTHER FRIENDS. LASTEST RUMOR THIS REGARD IS THAT ZAIRIANS HAVE ASKED SGM TO SELL COPPER FORWARD, OR GIVE ADVANCE ON FUTURE SHIPMENTS. IF TURE, THIS IS OBVIOUSLY WRONG WAY TO SOLVE PROBLEM, BUT IT WOULD BE CONSONANT WITH CURRENT TENDENCY HERE OF MAKING SHORT-SIGHTED DECISIONS.

3. DEGREE TO WHICH IMF OR ANYONE ELSE CAN HELP IN THESE
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CIRCUMSTANCES DEPENDS MAINLY ON SCOPE OF FX CRISIS AND

ON MOBUTU'S WILLINGNESS TO ASK FOR HELP AND ACCEPT CERTAIN CONDITIONS. WE, TOO, THINK IMF MISSION IS BEST NEXT MOVE. IF GOZ SHOWS ITSELF WILLING TO OPEN BOOKS TO IMF TEAM AND IF PROJECTED DEFICIT TURNS OUT TO BE ON ORDER OF Z76 MILLION - THEN THE ELEMENTS OF A SOLUTION ARE PRESENT. A COMBINATION OF IMF HELP/GUIDANCE, ASSURANCES TO CREDITORS THAT DEBT SERVICE PAYMENTS WILL BE MADE AND SOME REAL AUSTERITY MEASURES COULD ENCOURAGE LEAD BANKS/FOREIGN GOVERNMENTS TO FILL IN GAP.

4. IT MAY TURN OUT, HOWEVER, THAT OUR PROJECTION OF DEFICIT IS TOO OPTIMISTIC. WE ARE PRETTY SURE OF LONGER TERM DEBT, FOR EXAMPLE, BUT WE HAVE NO WAY BEING SURE THAT OUR PROJECTIONS OF SHORT-TERM SUPPLIER' CREDITS COMING DUE REFLECT REAL MAGNITUDE. AND IT MAY TURN OUT THAT CURRENT CREDIT CUT-OFF FROM ABROAD COULD LEAD MOBUTU TO REPLY BY REFUSING TO MAKE DEBT SERVICE PAYMENTS.
WE HOPE THAT THE DIALOGUE WILL BE ENGAGED ALONG LINES PARA 3 ABOVE AND WILL DO ALL WE CAN TO ENCOURAGE MORE RATIONAL APPROACH.

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